Independent auditor's report to the members of De La Rue plc

Opinion

In our opinion:

- De La Rue plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of De La Rue plc which comprise:

Group	Parent company
Group balance sheet at 31 March 2018	Company balance sheet as at 31 March 2018
Group income statement for the period then ended	Company statement of changes in equity for the period then ended
Group statement of comprehensive income for the period then ended	Related notes 1 to 9 to the financial statements including a summary of significant accounting policies
Group statement of changes in equity for the period then ended	
Consolidated cash flow statement for the period then ended	
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 41 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent auditor's report to the members of De La Rue plc continued

Overview of our audit approach

Key audit matters	• Specific judgemental accruals • Revenue recognition (cut-off) • Post-retirement benefits – Liabilities • Valuation of inventory • Disposal of paper business
Audit scope	• We performed an audit of the complete financial information of four components, consolidation adjustments, and audit procedures on specific balances for a further two components. • The components and consolidation adjustments where we performed full or specific audit procedures accounted for 105.7% of adjusted profit before tax, 95.3% of Revenue and 81.8% of Total assets.
Materiality	• Overall Group materiality of £2.7m which represents 5.1% of adjusted profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Specific judgemental accruals – £58.2m (FY17 – £85.9m) *Refer to the Audit Committee Report (page 67); Accounting policies (page 111); and Note 17 of the Consolidated Financial Statements (page 138)* De La Rue have certain agency commissions agreements which need to be accrued for based on the legal or contractual obligation arising. In relation to un-settled historic amounts these involve a level of estimation and judgement which is both material to the financial statements and susceptible to management override and manipulation. We have also identified a significant number of smaller, individually insignificant accruals that have a higher opportunity to be used to manipulate the financial statements due to several layers of ownership and lower levels of management oversight. We have therefore identified an additional risk that these accruals could be utilised to smooth profit across periods. Misstatements that occur in relation to the risk over specific judgemental accruals affect the accrued expenses account on the balance sheet as well as the cost of sales and administrative expenses accounts in the income statement.	We have ensured that we understand all contractual terms and conditions relevant to agent commission accruals and evaluated the best estimates of these liabilities based on the terms of the contract, past practise and where relevant external legal advice (evaluating the provider of such advice for competence as an expert used by management). We also evaluated management's judgement applied in the assumptions used and the accuracy of previous estimated positions. During the completion of the Half-year Interim Review, we performed an analysis of accruals for indicators of judgement. Based on this analysis, we identified varying levels of judgement that management may influence in order to manipulate the financial statements (ranging from significant to minimal) and have executed our audit procedures directly in response to this risk assessment. For accruals deemed more susceptible to manipulation we have determined a sample size to test and obtained corroborative third party support based on testing thresholds responsive to the risk identified. In March 2018, the group announced it expected to be at the lower end of the forecasted consensus range. In response we placed further emphasis on income statement credits resulting from accrual adjustments during the month of March in our journal entry procedures and assessed the adequacy of the disclosures of the transactions made.	Based on the results of our work, we agree with management's judgements and estimates in relation to significant judgemental accruals. We note that the assumptions and judgements applied in some calculations mean that the range of possible outcomes is broad.
Revenue recognition (cut-off) – £493.9m (FY17 – 461.7m) *Refer to the Audit Committee Report (page 67); Accounting policies (page 111); and Note 1 of the Consolidated Financial Statements (pages 114–115)* We have identified that there is a risk that revenue is manipulated at or near to the period end to meet income statement targets through management override of controls. In particular certain contracts include specific terms, for example, complex acceptance criteria or "bill and hold" criteria which adds to the risk that revenue may be recorded in the incorrect reporting period. Misstatements that occur in relation to this risk would impact the revenue recognised in the income statement as well as any revenue related balance sheet account such as trade debtors, deferred income etc.	We have performed testing to a reduced materiality threshold on revenue recognised around the period end date ensuring that the relevant customer acceptance terms have been met and third party evidence of delivery existed as applicable. We have performed reviews of significant revenue generating contracts held on the balance sheet at the period end, to ensure the accounting treatment is in line with the contract terms, including acceptance and "bill and hold" conditions. At each full scope audit location with significant revenue streams (4 components including consolidation adjustments), we performed audit procedures which covered 95.3% of the Group's Revenue.	Based on the procedures performed, including those in respect of revenue recognition cut off, we did not identify any evidence of material misstatement in the revenue recognised in the period or revenue accrued or deferred at 31 March 2018.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Post-retirement benefit Liabilities – £1,061.6m (FY17 – £1,204.7m) *Refer to the Audit Committee Report (page 67); Accounting policies (page 111); and Note 24 of the Consolidated Financial Statements (pages 143–146)* Small changes in the assumptions and estimates used to calculate the defined benefit pension obligation have a significant impact on the financial statements. In November 2017 the company, for certain of its schemes changed the Indexation rate applied from RPI to CPI inflation rates, effective to rises from 1st April 2018. This resulted in an £80m gain in the IAS 19 liability recorded as a past service cost in the income statement. As a result, we have identified an additional risk in respect of the legal evidence supporting, and the accounting performed for the change in Indexation. Misstatements that occur in relation to this risk would affect the retirement benefit obligations account in the balance sheet as well as related accounts in the income statement account and other comprehensive income.	Together with our EY Pension specialists, we have coordinated with the actuaries of the pension scheme to thoroughly understand the valuation process and challenged the basis for setting key assumptions, such as the discount rate. We have assessed the competency of the third parties used in determining the valuation. We obtained the company's legal advice with respect to the change in indexation rate and assessed management's disclosure of the contingent liability of the possible obligation that arises from this. We have evaluated the competency of the third parties engaged to provide the legal advice, as an expert. We also considered the treatment of the indexation gain as an income statement item, considering the time lapsed since the UK government changed its main rate of indexation to CPI.	Based on the results of our work, we have concluded that the actuarial assumptions applied within the valuation of post-retirement benefits at period-end are appropriate. As a result, and in tandem with the results of all other procedures performed on post-retirement benefits, we did not identify any evidence of material misstatement in the retirement obligation as at 31 March 2018.
Valuation of inventory – £37.0m (FY17 – £67.8m) *Refer to the Audit Committee Report (page 67); Accounting policies (page 111); and Note 12 of the Consolidated Financial Statements (page 126)* The nature of the business requires bank notes and other security products to be produced to near exact specifications which are often bespoke to each product. A risk therefore exists that certain amounts of inventory will fail quality checks and require re-work or be scrapped. The group provides for this through allowances based on past experience and known issues but there is a risk that this allowance will be misstated. There is also a risk that fluctuations in production efficiencies and spoilage rates could affect the allocated cost absorption and carrying amount of inventory. In March 2018, the group announced it expected to be at the lower end of the forecasted consensus range. In response we have place further emphasis on absorption costing being inappropriately capitalised in the valuation of inventory, as this is a significant component of forecasted results and could be susceptible to manipulation. Misstatements that occur in relation to this risk would affect the inventory account on the balance sheet account and cost of sales in the income statement.	Through scrutiny of the management's calculation, we have gained a thorough understanding of the provision calculation and process used by management to estimate this position. We have tested the accuracy of key assumptions in the calculation (such as spoilage rates and excess production) as well as assessing the historic accuracy of the provision. We have challenged management's forecasting process to identify specific issues that impacts the absorption of labour and overhead and performed recalculations of standard cost based on actual cost and activity and ensured that the amount absorbed remains appropriate given the nature of the variances recorded. At each full scope audit location with significant inventory (4 components including consolidation adjustments), we performed audit procedures which covered 91.5% of the Group's inventory.	Based on the results of our work, we assessed that the methodology applied to allocate the valuation of inventory is appropriate and that the assumptions used to determine the absorption of other costs outside of raw materials is consistent with the evolution of business processed. As a result we have concluded that the valuation of inventory is fairly stated as at 31 March 2018.
Disposal of paper business *Refer to the Audit Committee Report (page 67); Accounting policies (page 111); and Note 5 of the Consolidated Financial Statements (page 119)* On 29 March 2018, management completed a transaction with Epiris for the Group's paper business, comprising the Overton paper mill and the Bathford paper mill. Under the terms of the agreement, Epiris, together with management, acquired a 90% shareholding in Portals De La Rue Ltd (which the paper business was transferred into before disposal) for a cash consideration of circa £61m payable upon completion. The sale includes a long term contract to purchase paper from the sold company into the future at a pre-agreed cost. There is also minimum purchase requirements and minimum contributions to fixed operational costs within this agreement and a recompense clause, triggered by the failure to win identified tenders. These points needed to be considered in respect of the impact on deferred consideration calculations.	We have obtained supporting documentation (including the agreement with Epiris) which corroborates the terms of the sale as presented in the financial statements. We have performed testing on the transactions costs relating to the sale of the paper business as well as verifying the entries in the accounting step plan for the reorganisation to supporting evidence. The key judgements we focussed on included the decision by management not to record the paper results as a discontinued operation and the date at which the business became held for sale, impacting depreciation charged in the period. Both of these were tested against the criteria set out in IFRS 5. We evaluated management's assessment of the economic impact of the long term paper supply arrangement with Portals De La Rue Ltd, considering the arm's length nature of this agreement We assessed the judgements made by management in determining the provision for the recompense contract clause set out in Note 5 of the accounts. To gain assurance on the impairment loss recorded before disposal the UK team have audited the assets disposed of within the UK trading company at the date of disposal. All audit considerations pertaining to the sale of the paper business was subject to full scope audit procedures by the UK audit team.	Based on the procedures performed, including those in respect of the disclosure relating to the transaction, we did not identify any evidence of material misstatement in the accounting treatment or presentation in the financial statements relating to the disposal of the paper business for the period ending 31 March 2018.

Independent auditor's report to the members of De La Rue plc continued

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. In selecting the components to be brought into audit scope, we assessed the risks of material misstatement of the financial statements based on size, complexity and risk, including the risk of fraud, and designed and implemented appropriate responses to the assessed risks.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the fifty-seven reporting components of the Group, we selected six components covering entities within the United Kingdom, Malta, Sri Lanka, Kenya and the USA which represent the principal business units within the Group.

Of the six components selected, we performed an audit of the complete financial information of four components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. We also performed full scope procedures on consolidation adjustments.

The reporting components where we performed audit procedures, as well as the consolidation adjustments, accounted for 105.7% of the Group's adjusted profit before tax, 95.3% of the Group's Revenue and 81.8% of the Group's Total assets. The specific scope component contributed 0.0% of the Group's adjusted profit before tax, 0.0% of the Group's Revenue and 1.1% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining fifty-one components that together represent (5.7)% of the Group's adjusted profit before tax, none are individually greater than 13.6% of the Group's adjusted profit before tax (based on statutory contribution to group before intercompany eliminations). For these components, we performed other procedures, including analytical review, tests of details on balances considered significant due to size or risk and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The table below illustrate the coverage obtained from the work performed by our audit teams.

	Adjusted profit before tax (%)	Revenue (%)	Total Assets (%)
Full scope components	105.7	95.3	80.7
Specific scope components	0	0	1.1
Other procedures	(5.7)	4.7	18.2
Total	100.0	100.0	100.0

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the UK audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the four full scope components, audit procedures were performed on one of these directly by the UK audit team which comprises over 84% of adjusted profit before tax, we also audited the consolidation adjustments. The audit procedures on the remaining three full scope components were carried out by our audit teams in Malta, Sri Lanka, and Kenya. For the two specific scope components, all audit work performed for the purposes of the audit was undertaken by the UK audit team.

During the current period's audit cycle, a visit was undertaken by the UK audit team to the component team in Malta, where we had identified the greatest number of potential accounting issues and complexities from our planning and interim procedures performed. This visit involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, a tour of the key production facility, attending an audit status update meeting, and reviewing key audit working papers on risk areas. The UK team interacted regularly with all the component teams where appropriate during various stages of the audit, holding multiple conference calls, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.70 million, which is 5.1% of adjusted profit before tax. We believe that the materiality basis provides us with reference to an appropriate benchmark of Group profit from continuing operations before tax, normalised to remove the impact of separately identified exceptional items (as disclosed in note 4 of the financial statements) of which it represents 5.1%. We believe this provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of De La Rue plc. In their prior period audit KPMG adopted a materiality of £2.30 million based on 3.9% of group profit before tax, continuing and discontinued, normalised to exclude exceptional items.

We determined materiality for the Parent Company to be £4.60 million, which is 2.0% of Equity.

Our materiality is based on the Group's adjusted profit before tax amount in order to exclude exceptional items. We have determined the final materiality amount applied in our audit procedures below:

Starting basis	• Group profit before tax – £113.60m
Adjustments	• deduct net continuing exceptional income (before tax) of £60.90m (as disclosed in note 4 of the financial statements) and add back Amortisation of acquired intangible assets of £0.7m
Materiality	• 5.1% of this adjusted profit before tax of £53.40m, gives materiality of £2.70m

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.35million. We have set performance materiality at this percentage because we have integrated an additional level of audit risk relating to FY18 being an initial audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current period, the range of performance materiality allocated to components was £337,500 to £1,350,000. In their prior period audit KPMG adopted a range of performance materiality allocated to components of £100,000 – £1,800,000.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £135,000, which is set at 5.0% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In their prior period audit KPMG adopted a reporting threshold of £115,000.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent auditor's report to the members of De La Rue plc continued

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 98 –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 66 to 69 –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 52 to 98 –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the company

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 98, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code, and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which De la Rue plc operates.
- We understood how De La Rue plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering the risk of fraud through management override and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where instances of risk behaviour patterns were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing of transactions back to source information and were designed to provide assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of legal counsel, group management, internal audit and all full and specific scope management.
- If any instance of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the group level.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 20 July 2017 to audit the financial statements for the period ending 31 March 2018 and subsequent financial periods. We were appointed as auditors by the Board of Directors and signed an engagement letter on 21 September 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
30 May 2018

Notes:

1. The maintenance and integrity of the De La Rue plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.